Fiscal Year 2008 Payment Schedule Business Rules
NRCS Utah

Introduction

For FY 2008 and beyond, NRCS has adopted a payment schedule approach to Financial Assistance contracting and payments. While a lot of what appears in the FY 08 payment schedule is similar or identical to what was in the FY 07 cost list, much of what is in the payment schedule—as well as the underlying philosophy behind the payment schedule—is very different from the cost lists of the recent past.

In order to help you understand how to use the payment schedule to streamline the planning, contracting, and payment processes, this document includes both general instructions on the payment schedule as well as specific instructions related to practices and practice types found in the payment schedule.

General Instructions

General Philosophy: In the past, NRCS Utah has made an effort to match contracted payments as closely as possible to the actual costs associated with a specific conservation project. Under the payment schedule format, national leaders in the Financial Assistance Programs Division at NRCS have directed us to streamline contracting and payments in order to save staff time and effort and to decrease producer uncertainty with respect to FA contracts and payments. Please be advised that some degree of overpayment or underpayment is expected and accepted under this new system. That being said, feedback on the actual cost of projects is welcome and helpful in refining cost data and developing future payment schedules.

The FA programs-related goals in developing the payment schedule were to minimize the number of line items per practice in the contract and to streamline the entire process of contracting and making payments. Exact accuracy in payments is no longer expected, but getting as close as possible without losing efficiency is still a priority. It is important for you to select the line item that comes as close as possible to matching the actual cost of the project. To accomplish this, you need to keep in mind the “behind the scenes” cost share rate for different programs. Some payment rates were developed based on a management payment at 100%, while other payment rates are based on the specific subaccount (fund pool) cost share rate. This information is included in the detailed cost data in Section I of the eFOTG.

Keep in mind that NRCS financial assistance payments are intended to offset enough costs to induce participation in conservation programs that generate both private and public benefits, not to offset *all* of the costs that a producer may incur by implementing conservation practices. **In all cases, select the practice type that most closely matches the project that is planned and being contracted. Overpayments to producers are to**

be avoided wherever possible but are recognized as being—to some degree—a part of the new FA payments system. Our overall goal is to be both efficient and fiscally responsible in how we use tax payers' money to implement conservation projects and to keep our total contracted payments under the statutory limits established by Congress.

<u>Cost Data</u>: The payment rates that appear in the payment schedule were developed on the basis of the most typical ways in which NRCS applies each practice within the State of Utah, set in payment units that provide as much flexibility as possible in term of overall project size and scope. The practice scenarios and cost data that were used in the development process are available in Section I of the eFOTG. The documentation that exists in the payment schedule cost data set is fairly limited at this time but will be more fully developed over coming months. In the meantime, if you have specific questions that are not addressed within this guidance document or in the eFOTG, please contact the State Economist, Julie Nelson, at the state office. Be sure to include your Area Programs Specialist in the discussion/correspondence.

<u>Column Headings</u>: In the future, column headings in the payment schedule will be edited to bring the Toolkit format into line with the new payment schedule terminology. Due to technical and budget limitations faced by the national ProTracts/Toolkit team, however, the column headings were not changed this year. You will probably need to keep the meaning of some of the new column contents in mind in order for the payment schedule to make complete sense to you. Although the headings remained the same as in past cost lists, the intent behind some of the contents has changed in a substantial way.

- "Component" is now "practice type", corresponding to a specific practice scenario within the cost data set.
- "PR" in the "payment type" column indicates "payment rate". Cost share rates are now applied in the payment rate development process. Accordingly, the column labeled "share rate" is obsolete and the percentage is uniformly set at 100%, although the payment percentage used to develop the payment rate varies from 50% to 75% for structural or vegetative practices, depending on the subaccount (fund pool), and is set at 100% if the payment is a management incentive payment.
- The payment shown in the "unit cost" column is the "payment rate", which is the total amount per payment unit that will be paid to the producer. There is no need to apply any type of cost share rate to this amount in order to calculate final total payments.

<u>Receipts</u>: Under the payment schedule contracting and payment system, it is not necessary or required to collect receipts from cooperators. It is helpful, however, for you to collect cost data whenever doing so is convenient and would be beneficial to refining cost data and developing improved payment rates in the future.

<u>Fixed Cost/Variable Cost Line Items</u>: As was the case with some practices in the FY 07 cost list (such as pumping plant), in FY 08 there are many practice types that include fixed and variable costs. For these items, select the appropriate number of units given the payment unit being used for the applicable payment rate.

For example, some pipeline installation costs have a fixed cost payment rate, with a payment unit given in feet, and a variable cost payment rate, with a payment unit given in feet per diameter inch. A contract that includes this type of installation costs will have two line items in it for pipeline installation: a fixed cost line item and a variable cost line item. For the fixed cost, simply enter the number of feet of pipe being installed. For the variable cost, multiply the feet of pipeline being installed by the diameter of the pipe and enter that number as the number of units.

When installing 1000' of 8" pipeline under a fixed/variable cost setup, for example, the total installation cost will include 1000 multiplied by the fixed-cost per-unit payment rate PLUS 1000 x 8, or the number of feet times the diameter inch, for a sub-total of 8000 multiplied by the variable-cost per-unit payment rate. Add the two payments—fixed and variable—together to arrive at a total payment for installation.

Multiple Practices on Single Lines: Within some practices, two practice types are included in a single line in the payment schedule due to their similar or identical costs of implementation. When this is the case, the alternatives are separated by the word "OR" in upper case letters.

Practice-specific Instructions

Payment Caps: As in previous years, many practices have payment caps. These maximum payment amounts are included in the practice type descriptions under the "component" column heading.

Excavation Practices: Wherever excavation or earth-moving appears in the payment schedule, the payment rate depends on the total quantity of earth being moved. In a few cases, such as wetland practices, additional lines were added to account for the increased expense associated with working in areas with high organic content. The payment rates for these practices apply to either excavation or fill and include the cost of compaction.

Vegetative Practices: Most of the vegetative practices have been condensed into per acre payment rates based on the various possible combinations of the seed or plant types, site preparation methods, and tillage methods that are typically used in Utah. If you plan and contract one of these practices, you will need to read the practice type ("component") information in the payment schedule in order to identify which line is appropriate to include in the contract. In some cases, more than one set of possible combinations of vegetative practices are included in one line in the payment schedule. When this is the case, the alternatives in the "component" column are separated by the word "OR" in upper case letters.

313 – Waste Storage Facility: In recent cost lists, pre-cast concrete structures have been included under this practice standard. In the payment schedule, payment rates for concrete structures are listed only on a per cubic yard basis. You may use these payment rates in order to contract payments for pre-cast structures. Costs for demolition and/or removal of items such as old concrete structures and/or other items that are preventing the implementation of the new conservation practice should be contracted under Obstruction Removal (500), subject to Section 106 clearance.

<u>329 - Residue Management, No-Till and Strip Till</u>: The payment for this practice can be contracted as an up-front payment for three-years' worth of application. The front-loaded payment requires later certification that the practice has been implemented each of the three years of the contract period of adoption. Total payment is equal to three years of yearly payments for the same practice but is front-loaded to give the producer more options in terms of how the conservation payment is used to successfully adopt the practice.

<u>342 – Cover Crop</u>: The use of the hydroseeding option included for this practice is to be limited to those areas or situations in which conventional seeding practices are not feasible. This practice type is the sort of hydroseeding used by departments of transportation and other entities to vegetate relatively small areas that are hard to reach or difficult to plant by standard means. This practice type is not intended to be used to install "lawn" type or quality of plantings.

<u>382 – Fence</u>: Some types of fence are restricted in how or under what conditions they may be installed. In situations that call for wildlife-friendly fences but which do not meet the criteria for installation of the types of fence listed below, refer to the fence practice standard and other resources for information on how to build standard fence types so as to meet the needs of wildlife such as antelope or deer.

- Corral fence: Use is limited to purposes of water quality protection such as in implementing a CNMP or in a feedlot scenario.
- Pole fence: Use is limited to areas where standard fence types can not be used for reasons related to site conditions and/or climatic conditions.
- Worm fence: Use is limited to areas characterized by severe climatic conditions, shallow, rocky soils, or wetland conditions such that standard fence posts can not be used. Aesthetic considerations do not constitute grounds for installing worm fence.

<u>Irrigation "on" and "off" field</u>: As has been the case in recent cost lists, irrigation systems are divided into two categories: "on-field" and "off-field":

> "On-Field"—All components that are contracted with the irrigation system (the area under the system) except for pumps are considered to be on-field, are covered by practices 441, 442, or 443 (which includes the complete system with appurtenances such as risers, pipe, valves, etc. and on-field buried electrical wire for a center pivot) and are paid on a per acre basis. When water is already available at the appropriate corner or edge of a field, only the irrigation system practice is to be cost shared.
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> "Off-Field"—Practices and components needed in order to deliver water to the corner or edge of the field are considered to be off-field and are covered by the

430 and 587 practice codes. Near-farm buried electrical wire for center pivots is considered to be an off-field line item. Electrical service for other uses (such as pumps) is not eligible for payment.

430DD and 430EE – Irrigation Water Conveyance Pipeline: As has been the case in the past three years' cost lists, the 430DD and 430EE pipeline line items for PVC and HDPE include the costs of tees, air vents, drains, pressure relief valves, elbows, and all other standard pipeline appurtenances. Do not add additional line items for these expenses.

Pipeline Installation: Many of the installation costs for pipelines have been split into fixed and variable costs. As mentioned above, some pipeline installation costs have a fixed cost payment rate, with a payment unit given in feet, and a variable cost payment rate, with a payment unit given in feet per diameter inch. A contract that includes this type of installation costs will have two line items in it for pipeline installation: a fixed cost line item and a variable cost line item. For the fixed cost, simply enter the number of feet of pipe being installed. For the variable cost, multiply the feet of pipeline being installed by the diameter of the pipe and enter that number as the number of units.

When installing 1000' of 8" pipeline under a fixed/variable cost setup, for example, the total installation cost will include 1000 multiplied by the fixed-cost per-unit payment rate PLUS 1000 x 8, or the number of feet times the diameter inch, for a sub-total of 8000 multiplied by the variable-cost per-unit payment rate. Add the two payments—fixed and variable—together to arrive at a total payment for installation.

441 – Irrigation System, Microirrigation: For the sake of efficiency, a per-acre payment rate for Microirrigation systems has been kept in the payment schedule. If you choose to use this line out of the payment schedule, no additional practice types/ components should be contracted for a given Microirrigation system. If the per acre payment for a microirrigation system is not sufficient to cover the appropriate percentage of the cost of all parts of the system or if it would constitute a large over-payment for what it needed, then you should schedule the appropriate separate contract line items that are required, including on-field 430 pipeline components.

442 – Irrigation System, Sprinkler: All 442 per acre payments include ALL necessary on-field components of the irrigation system except for pumps (533). The 442 practice code includes water distribution pipelines, risers, etc. 533 should be contracted separately when needed. Payment for on-field buried electrical wire for pivots is included in the per acre payment. Pod-type systems are to be contracted under 442.

443 – Irrigation System, Surface and Subsurface: As is the case with 442, all 443 system line items include ALL necessary on-field components of the irrigation system except for pumps. For 443, this includes water distribution pipelines, gated pipe, gates, etc. Do not add additional lines to the contract for on-field pipe or water control structures unless these are off-field items. 533 should be contracted separately when needed.

<u>449 – Irrigation Water Management</u>: This management practice contains two levels of treatment:

- Basic Management Payment: This payment is based on the basic IWM principles which include record keeping utilizing the 449 spec sheet and the operating and maintenance self certification. Crop grown, dates of irrigation (start and stop), inches of irrigation applied, soil moisture is determined by an approved method. Once during each year for the duration of the contract, the client will acquire additional IWM knowledge through attending one or more workshops or by holding a one hour face-to-face IWM training meeting with the planner, preferably held on-farm.

- Intense Management Payment: This payment is based on an intensive approach to manage irrigation water to the field. This includes utilizing the 449 spec sheet and the operating and maintenance self certification. Crop grown, dates of irrigation (start and stop), inches of irrigation applied record keeping, use of soil moisture sensors or utilizing consumptive use data from real time weather stations. Once during each year for the duration of the contract, the client will acquire additional IWM knowledge through attending one or more workshops or by holding a one hour face-to-face IWM training meeting with the planner, preferably held on-farm.

<u>472 – Use Exclusion</u>: Use Exclusion is not eligible for payment during seedling establishment (typically 2 growing seasons) on same land unit as contracted for 550, Range Planting.

<u>516 – Pipeline</u>: As is the case with the 430 practice codes, the payment rates for PVC or HDPE pipelines under 516 include the costs of tees, air vents, drains, pressure relief valves, elbows, and all other standard appurtenances. Do not add additional line items for these expenses.

<u>528 – Prescribed Grazing</u>: As is the case with Use Exclusion, Prescribed Grazing is not eligible for payment during seedling establishment (typically 2 growing seasons) on same land unit as contracted for 550, Range Planting.

The payment for this practice can be contracted as an up-front payment for three-years' worth of application. The front-loaded payment requires later certification that the practice has been implemented each of the three years of the contract period of adoption. Total payment is equal to three years of yearly payments for the same practice but is front-loaded to give the producer more options in terms of how the conservation payment is used to successfully adopt the practice. As in previous years, the maximum total annual payment for Prescribed Grazing per grazing operation is $3000. Accordingly, the total payment front-loaded payment for three years of Prescribed Grazing is $9000 per grazing operation. See the document “FY08 Grazing Operation Guidance” for more information.

The front-loaded payment is reserved for use in implementing a “management intensive” grazing system, or MIG. A MIG system includes such activities as regular, careful analysis of forage availability, use of movable electric fence, and thorough record keeping in order to maximize productivity of pasture or range lands. The producer is allowed to use the front-loaded payment to help them acquire the infrastructure necessary to implementing a MIG system. The front-loaded payment is not intended to cover all costs for implementing a MIG. It is an incentive payment and is being front-loaded for the sole purpose of providing more flexibility to the producer in implementing a MIG under the 528 practice code.

533 – Pumping Plant: Payments under 533 do not include near-farm wire. EQIP program rules preclude paying for the type of electrical service required for pumps and, accordingly, such NRCS Utah has determined that such payments are outside of the provisions of our conservation programs.

550 – Range Planting: Neither Use Exclusion nor Prescribed Grazing is eligible for payment during seedling establishment (typically 2 growing seasons) on same land unit as contracted for this practice.

587 – Structure for Water Control: Because of the many and complex ways in which the conservation practice standard for 587 may be implemented, this year for the first time the payment schedule includes line items for this practice that offer significant flexibility but also require significant responsibility on the part of the planner. These line items include in the practice type description the terms, “Valves, Filters, Flashboard Risers, Flow Meters, Flumes, Gates, Sumps, etc.” and “Valves, Filters, Flashboard Risers, Flow Meters, Flumes, Gates, Sumps, Instream Structures, Pressure Reducing Stations, etc.”

For these varied practice types and payment rates, it is the responsibility of the planner to select the payment rate line item that is closest to the appropriate percentage of the actual cost given the subaccount (fund pool) under which the project is being contracted. The selected payment rate should represent a "rounded up" value only when the cost is close to the higher payment rate. “Rounding down” has been strongly encouraged by national program leaders. If this type of payment rate is to be retained in future years, it is essential for planners to be responsible in how they use line items.

595 – Pest Management: The various specific practice types for Pest Management are described in detail in the eFOTG Section I cost database. Please refer to this database for specific information on how the payment rates for this practice are intended to be used.

601 – Vegetative Barrier: As is the case for Cover Crop, the use of the hydroseeding option included for this practice is to be limited to those areas or situations in which conventional seeding practices are not feasible. This practice type is the sort of hydroseeding used by departments of transportation and other entities to vegetate relatively small areas that are hard to reach or difficult to plant by standard means. This practice type is not intended to be used to install “lawn” type or quality of plantings.